

## Message Text

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72

ACTION EA-14

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 SWF-02

AGR-20 CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 SAJ-01 SAM-01 NIC-01 DODE-00

PM-07 H-03 L-03 PA-04 PRS-01 USIA-15 NSCE-00 ARA-16

DRC-01 EUR-25 /230 W  
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R 160925Z JUL 74

FM USLO PEKING

TO SECSTATE WASHDC 2110

INFO AMEMBASSY CANBERRA

AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD EAGR CH US AS

SUBJECT: US-CHINA GRAIN TRADE - CARGILL/TRADAX REPRESENTATIVES  
IN PEKING

REF: PEKING 1144 (NOTAL)

SUMMARY: CARGILL/TRADAX REPRESENTATIVES MERMAGEN AND  
DUNCAN REMAIN IN PEKING NEGOTIATING ON CLAIMS WITH THE  
CHINA NATIONAL CEREALS, OILS AND FOODSTUFFS IMPORT AND  
EXPORT CORPORATION (CEROILFOOD). THEY BELIEVE CEROILFOOD  
MAY SEEK TO BUY MORE WHEAT FROM CARGILL ONCE THE CLAIMS  
ISSUE IS SETTLED, BUT SUSPECT CARGILL'S PRICE WILL BE  
TOO HIGH, SINCE THE COMPANY MUST TAKE ACCOUNT OF THE  
RISK OF TCK REJECTION. MERMAGEN AND DUNCAN BELIEVE THE  
OUTLOOK FOR FUTURE US CORN SALES TO CHINA IS VERY POOR,  
FOLLOWING THE RECENT DREYFUS CANCELLATION OF A LARGE  
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CORN CONTRACT WITH CEROILFOOD. USLO SUGGESTS USDA

STUDY RECENT SINO-US CORN TRADE DEVELOPMENTS, TO SEE  
IF THE SITUATION CAN OR SHOULD BE IMPROVED. END SUMMARY.

1. CARGILL/TRADAX REPRESENTATIVES MERMAGEN AND DUNCAN MET  
WITH USLO OFFICERS JULY 16 AND PROVIDED FOLLOWING COMMENTS  
ON THEIR TALKS WITH CEROILFOOD AND ON CHINA'S GRAIN TRADE IN  
GENERAL. OF PARTICULAR INTEREST WAS THEIR NEGATIVE  
ASSESSMENT OF FUTURE PROSPECTS FOR US CORN SALES TO CHINA  
(PARAS 5 AND 7 BELOW).

2. CLAIMS: THE TWO MEN HAVE BEEN NEGOTIATING DAILY WITH  
CEROILFOOD ON CARGILL DEMURRAGE CLAIMS AGAINST CEROILFOOD  
AND CEROILFOOD CLAIMS AGAINST CARGILL FOR STERILIZATION  
COSTS ARISING FROM TCK CONTAMINATED SHIPMENTS. IN  
SETTLING THE DEMURRAGE QUESTION, THE TWO SIDES HAVE HAD  
TO DETERMINE THE EXTENT TO WHICH UNLOADING DELAYS WERE DUE  
TO THE TCK PROBLEM WHICH WOULD MAKE THEM CARGILL'S  
RESPONSIBILITY. MERMAGEN AND DUNCAN HAVE CONCLUDED THAT  
TCK PLAYED A GREATER ROLE IN THE DELAYS THAN THEY HAD  
THOUGHT, AND CARGILL HAS REDUCED ITS DEMURRAGE CLAIMS  
ACCORDINGLY. THE US FIRM NOW AGREES THAT IT OWES MORE  
FOR STERILIZATION COSTS THAN CEROILFOOD OWES FOR DEMURRAGE.  
THE MATTER IS NOT YET SETTLED, HOWEVER, AND WILL PROBABLY  
REQUIRE SEVERAL MORE DAYS OF NEGOTIATION.

3. HINTS OF NEW SALES: CEROILFOOD HAS DROPPED HINTS THAT  
IT MAY WISH TO DISCUSS NEW WHEAT BUSINESS WHEN THE CLAIMS  
QUESTION IS SETTLED. PRESUMABLY THE CHINESE WANT TO DISCUSS  
DELIVERIES FOR 1975. MERMAGEN REITERATED TO US, HOWEVER,  
THAT ANY PRICE QUOTED BY CARGILL MUST TAKE ACCOUNT OF RISK  
OF REJECTION DUE TO TCK, AND HE IS AFRAID THIS WILL BE  
HIGHER THAN CEROILFOOD IS PREPARED TO PAY. CARGILL BELIEVES  
THAT COOK INDUSTRIES REPRESENTATIVE JACQUES LANG WAS ASKED  
TO QUOTE WHEAT FOR 1975 DELIVERY BEFORE HE LEFT PEKING  
(APPARENTLY A WEEK AGO), BUT THAT NO BUSINESS WAS DONE,  
BECAUSE SIMILAR CALCULATIONS OF RISK MADE COOK'S PRICE TOO HIGH.

4. AUSTRALIAN WHEAT BOARD (AWB): THREE AWB REPRESENTATIVES  
ARE NOW IN PEKING AND WILL HAVE THEIR FIRST MEETING WITH  
CEROILFOOD TODAY (JULY 16). THEIR MISSION IS TO FIX THE  
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PRICE OF 600,000 TONS OF WHEAT WHICH AWB WILL DELIVER TO  
CHINA IN THE SECOND HALF OF THIS YEAR (CANBERRA 4363).  
CARGILL IS CONVINCED THAT AWB HAS ADDITIONAL WHEAT  
AVAILABLE FOR 1974 DELIVERY AND COULD, IF PRESSED, SELL IT  
TO THE PRC. (BY CONTRAST, AN AUSTRALIAN EMBASSY OFFICER  
TOLD THAT AUSTRALIA HAS NOTHING FURTHER TO OFFER AT  
THIS TIME.)

5. SINO-US CORN TRADE: REFERRING TO THE RECENT CANCELLATION BY DREYFUS OF A MORE THAN ONE MILLION TON CONTRACT FOR DELIVERY OF US CORN TO CHINA, DUNCAN AND MERMAGEN SAID THE FUTURE OUTLOOK FOR SINO-SU CORN TRADE IS VERY POOR. THE PROBLEM CONCERNS MOISTURE CONTENT AND OVERALL QUALITY. US CORN DOES NOT MEET CHINESE STANDARDS, THEY SAID, AND CAN ONLY DO SO IF SPECIAL MEASURES ARE ADOPTED. UNDER CURRENT AND PROJECTED FUTURE MARKET CONDITIONS, IT IS UNLIKELY THAT SUPPLIERS OF US CORN WILL WISH TO MAKE SUCH AN EFFORT FOR CHINA, SINCE THEIR STOCKS CAN EASILY BE MARKETING ELSEWHERE. ASKED WHO WOULD BE THE BENEFICIARY OF A CESSATION IN US CORN SALES TO CHINA, THE TWO MEN AGREED IT WOULD BE ARGENTINA, WHICH HAS BETTER QUALITY CORN TO OFFER, ALBEIT AT A HIGHER PRICE.

6. COMMENT: ACCORDING TO THE ARGENTINE COMMERCIAL COUNSELOR HERE, HIS COUNTRY IS CONTRACTED TO SHIP 700,000 TONS OF CORN AND MORE THAN 250,000 TONS OF WHEAT TO CHINA THIS YEAR, AND DOES EXPECT LARGER SALES FOR 1975 DELIVERY.

7. USLO HAS LITTLE INFORMATION ON THE CIRCUMSTANCES SURROUNDING THE DREYFUS CORN CANCELLATION AND WE ARE NOT ABLE TO COMMENT ON THE CARGILL REPRESENTATIVES PESSIMISTIC ASSESSMENT. HOWEVER, WE BELIEVE USDA SHOULD CONSIDER STUDYING RECENT DEVELOPMENTS IN SINO-US CORN TRADE TO DETERMINE WHETHER STEPS CAN OR SHOULD BE TAKEN TO IMPROVE THE QUALITY OF US CORN OFFERED TO CHINA, AND WHETHER IT WOULD SERVE OVERALL US COMMERCIAL INTERESTS TO DO SO.  
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## Message Attributes

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